

REDACTED

BEFORE THE
PUBLIC SERVICE COMMISSION OF WISCONSIN

Application of Wisconsin Energy Corporation)	
for Approval of a Transaction by which)	
Wisconsin Energy Corporation Would Acquire)	Docket No.: 9400-YO-100
All of the Outstanding Common Stock of)	
Integrus Energy Group, Inc.)	

**SUPPLEMENTAL DIRECT TESTIMONY OF
SCOTT LAUBER IN SUPPORT OF APPLICATION
BY WISCONSIN ENERGY CORPORATION**

1 Q. Please state your name, business address, and title.

2 A. My name is Scott Lauber. My business address is 231 West Michigan Street,
3 Milwaukee, Wisconsin 53203. I am Vice President and Treasurer for Wisconsin Energy
4 Corporation (WEC), Wisconsin Electric Power Company (Wisconsin Electric) and
5 Wisconsin Gas LLC.

6 Q. Did you previously file direct and rebuttal testimony on behalf of WEC in this docket?

7 A. Yes.

8 Q. What is the purpose of your supplemental direct testimony?

9 A. In a January 29, 2015 decision, the Commission ordered WEC to submit supplemental
10 direct testimony concerning a proposed transaction under which Wisconsin Electric
11 would sell certain assets in the Upper Peninsula of Michigan to the Upper Peninsula
12 Power Company (UPPCO) (the "Michigan Asset Transaction"). The Commission
13 specifically ordered that "[t]he scope of testimony on the announced agreements shall be
14 limited to a description of those agreements and any potential impact that the agreements
15 may have on WEC's proposed acquisition of Integrus." My supplemental direct testimony
16 addresses those issues.

This is not the docket in which the Commission will decide whether or not to approve the proposed transaction with UPPCO. We will file an application for review and approval of that transaction under Wis. Stat. § 196.80 once a definitive purchase and sale agreement to sell the Presque Isle Power Plant (PIPP) and Wisconsin Electric's electric distribution facilities located in the Upper Peninsula of Michigan has been executed.

Q. How is your supplemental direct testimony organized?

A. My testimony first provides the background for the Michigan Asset Transaction and, as the Commission requested, discusses the impact of the Michigan Asset Transaction on the WEC/Integrus transaction. I will then proceed to address a series of questions raised in discussions by Staff. Some of Staff's questions go beyond the scope the Commission set for review of the Michigan Asset Transaction in this proceeding. Thus, while I will provide substantive responses to the majority of the questions Staff posed, our response for some will be that they are more appropriate for the upcoming § 196.80 proceeding dedicated to the Michigan Asset Transaction.

Background on the Michigan Asset Transaction.

Q. Why is Wisconsin Electric proposing this transaction with UPPCO?

A. In recent years, the challenge of maintaining PIPP as a reliable source of power in Michigan's Upper Peninsula has received a substantial amount of regulatory attention in Wisconsin and Michigan. In November, 2012, Wisconsin Electric and Wolverine Power Supply Cooperative (Wolverine) announced that the two companies would pursue joint ownership and the addition of state-of-the-art emission controls at PIPP. In February 2013, Wisconsin Electric and Wolverine sought Commission approval under Wis. Stat. § 196.80 of an agreement between the companies whereby Wolverine would invest

between \$130 and \$140 million in an air quality control system at PIPP and receive roughly a one-third ownership in the plant. At the time of the filing, Wisconsin Electric believed that the proposed transaction offered the most cost-effective solution for its customers to meet expected federal air quality regulations requirements at PIPP while maintaining system reliability. The Commission approved the transaction in June, 2013.

In July of 2013 two large retail customers in the Upper Peninsula announced that they would take their load to an alternative energy supplier under Michigan's retail choice statute. In August, 2013, Wisconsin Electric formally notified MISO of its plan to temporarily suspend its operation of PIPP. In October, 2013 MISO informed Wisconsin Electric that suspending operation of PIPP would result in violations of applicable reliability criteria. At that point, Wisconsin Electric negotiated an System Support Resources (SSR) Agreement with MISO under which the company would be compensated for continuing to operate PIPP.

In December, 2013, Wisconsin Electric and Wolverine jointly announced the dissolution of the joint venture concerning PIPP. Wisconsin Electric also later explored other long term options for the plant, including issuing a Request for Proposals to solicit other potential buyers for some or all of the plant's capacity, but received no valid bids for the plant.

On January 31, 2014, MISO filed an executed SSR Agreement at FERC. In February 2014, FERC issued an order accepting the PIPP SSR Agreement, subject to refund and further Commission order. There have been numerous proceedings over the past year before the FERC regarding the proper cost compensation and cost allocation issues under successive SSR agreements between Wisconsin Electric and MISO.

Wisconsin Electric has continued to operate PIPP under the terms of successive SSR agreements, but has continued to search for alternatives to continued ownership and operation of PIPP.

Q. Please explain the recent settlement in the Michigan proceeding.

A. On January 12, 2015, WEC, Wisconsin Electric, the Governor of the State of Michigan, the Attorney General of the State of Michigan, the Mines (Tilden Mining Company L.C. and Empire Iron Mining Partnership) and Michigan Public Service Commission (MPSC) Staff entered into an Agreement for Merger Settlement that resolved all objections to WEC's acquisition of Integrys that those parties had raised in FERC and MPSC proceedings. (Ex.-WEC-Lauber-5). The Settlement Agreement is expressly conditioned, however, upon several specific conditions being met, including: (1) Wisconsin Electric must close on the sale of certain assets in the Upper Peninsula, as further discussed below; (2) WEC must close on the sale of certain WPSC assets located in the Upper Peninsula; and (3) the Mines must enter into binding agreements with UPPCO for electric service upon reasonable terms and conditions. This agreement was further formalized in a separate Settlement Agreement that was submitted to the MPSC on January 30, 2015. (Ex.-WEC-Lauber-6).

On January 5, 2015 Wisconsin Electric and UPPCO signed a non-binding Term Sheet relating to the Michigan Asset Transaction. To fully satisfy the first requirement of the Settlement Agreements, Wisconsin Electric and UPPCO are currently negotiating a definitive sale agreement providing for the sale of Wisconsin Electric's Michigan electric business to UPPCO. In addition, immediately after consummation of WEC's acquisition

of Integrys, WEC will cause WPSC to sell certain WPSC assets located in the Upper Peninsula to UPPCO.

We believe that the proposed transaction with UPPCO will benefit Wisconsin Electric's retail customers in Wisconsin. In just the short term, the Michigan Asset Transaction will:

- Deliver approximately [REDACTED] in savings to Wisconsin customers, representing the forecasted margin on the Mines' business in 2015 (we plan to file a letter informing the Commission of the deferral by the end of February);
- Result in approximately [REDACTED] being passed on to Wisconsin customers as a result of the premium over book value for Wisconsin Electric's distribution assets;
- Result in annual savings of approximately [REDACTED] for PIPP in 2015 and 2016, which will be escrowed for return to Wisconsin customers (representing [REDACTED] in avoided carrying cost on inventories, taxes other than income taxes and operations and maintenance costs offset by approximately [REDACTED] of annual slice of system costs that will be allocated to Wisconsin); and
- End the burden of Wisconsin customers' share of SSR payments that result from keeping PIPP open for reliability purposes.

The short-term and long-term benefits of the Michigan Asset Transaction will be comprehensively addressed and fully litigated in the § 196.80 docket.

Q. How will the Michigan Asset Transaction affect WEC's request for regulatory approval to acquire Integrys?

A. The two transactions are related in only one sense. As noted above, the Michigan Asset Transaction is required under two settlement agreements entered by WEC and several other parties in the Michigan Public Service Commission proceeding. (Exs.-WEC-Laubert-5, 6). Without Michigan regulatory approval, WEC will not be able to close on its acquisition of Integrys.

Q. What is the status of the proposed transaction?

A. At this time, Wisconsin Electric and UPPCO have executed a confidential non-binding Term Sheet. (Confidential Ex.-WEC-Laubert-7). As I mentioned, Wisconsin Electric and UPPCO are in the process of negotiating definitive agreements for the Michigan Asset Transaction, but those agreements are a work in progress, and it would be premature to speculate about particulars of the final agreements at this time except to the extent they might be reflected in the Term Sheet.

I will now proceed to address Staff's questions.

Proceedings.

Q. What is the expected filing date for the § 196.80 application(s)?

A. We currently expect to file any necessary applications in early March, shortly after the definitive agreements for the Michigan Asset Transaction are finalized.

Q. What are the other regulatory approvals required and what is the respective timing?

A. At or around the time we file the application in Wisconsin, we will also file applications seeking regulatory approval for the Michigan Asset Transaction from:

- Michigan Public Service Commission for compliance with Mich. Comp. Laws § 460.6q;

- Federal Energy Regulatory Association for compliance with Section 203(a)(2) of the Federal Power Act, 16 U.S.C. § 824b;
- Department of Justice for compliance with the Hart-Scott-Rodino Antitrust Improvements Act of 1976, 15 U.S.C. § 18a;
- Federal Communications Commission for the transfer of certain private microwave and radio licenses; and
- The Committee on Foreign Investment in the United States for compliance with national security laws.

Q. What are the ramifications if the Commission does not authorize both the Wisconsin Electric and WPSC asset transfers?

A. As discussed above, if the Commission does not approve the Michigan Asset Transaction it will cast doubt on WEC's acquisition of Integrys. Several parties in Michigan, including the Governor's Office, the Attorney General, the Empire and Tilden Mines, and others had opposed the WEC/Integrys transaction at both the Michigan Public Service Commission and at FERC. As part of the settlement that led to the Michigan Asset Transaction, those parties withdrew their opposition to the merger. If the Michigan Asset Transaction does not receive required regulatory approvals (including Wisconsin regulatory approval), it will not close, and the opposing parties in Michigan will be free to once again oppose the WEC/Integrys transaction.

Wisconsin Electric Michigan Operations.

Q. What constitutes Wisconsin Electric's Michigan utility business? Provide a description of the assets or business being sold.

1 A. Wisconsin Electric is selling (1) jurisdictional electric distribution assets belonging to
 2 Wisconsin Electric in Michigan, including certain substations and assets located in
 3 Michigan that are used in providing electric distribution service in Michigan and
 4 Wisconsin (the “Distribution Assets”); (2) PIPP; and (3) other assets related to PIPP
 5 including fuel inventories. [REDACTED]

6 [REDACTED]
 7 [REDACTED]
 8 [REDACTED]

9 Q. What is the transaction/purchase price? How will that price be paid? (cash, exchange of
 10 assets, timing, etc.)

11 A. [REDACTED] (1) an amount for
 12 fixed assets; (2) an amount for net working capital; [REDACTED]
 13 [REDACTED]
 14 [REDACTED]
 15 [REDACTED] the amount paid for PIPP will be
 16 \$1; [REDACTED]
 17 [REDACTED]
 18 [REDACTED]
 19 [REDACTED]
 20 [REDACTED]
 21 [REDACTED]

22 [REDACTED]

23 Q. What is the fair market value of the assets or business being sold?

A. The fair market value of PIPP is minimal. Wisconsin Electric has been trying for several years to find a solution to the issues raised by its ownership of PIPP. These efforts included issuing a Request for Proposals to purchase PIPP. The RFP was issued in January of 2014 and Wisconsin Electric made its interest in selling PIPP known in the industry via the trade press and notice to the North American Energy Markets Association, a trade association with 150 members that collectively own and operate 500,000 megawatts of generating capacity and serve over 100 million electric and gas customers. WEC received no valid offers for PIPP as a result of this process. One can only conclude, therefore, that the fair market value -- i.e. the value the market placed on the asset -- was minimal.

The fair market value of Wisconsin Electric's electric distribution assets is reflected by the offer UPPCO has made, which is a [REDACTED].

Q. Staff posed several financial and accounting questions about the Michigan Asset Transaction. Would you care to comment on them?

A. I will be providing estimates as of December 31, 2014 in response to Staff's questions in confidential Ex.-WEC-Lauber-8. However, the reader should note that these are just estimates at this point based on the non-binding Term Sheet, and the numbers and accounting entries may very well change as a result of the final agreements. We will be able to better answer these questions in the § 196.80 docket after the definitive documents are signed, and some of the information may not be finalized until closing.

Q. What is the book value of the entire business? What is the book value of PIPP? What is the book value of fuel inventories at the Presque Isle facility?

1 A. Please see confidential Ex.-WEC-Lauber-8, Schedule 1. As noted above, these figures
2 will change up until closing.

3 Q. What is the deferred tax balance associated with the entire Michigan Operation? With
4 PIPP? What, if any, tax benefits are anticipated as a result of divestiture; how certain are
5 they; and how does the utility propose to treat such benefits for ratemaking purpose?

6 A. Confidential Ex.-WEC-Lauber-8, Schedules 3 and 4 show the existing deferred tax
7 liability balance of [REDACTED] associated with PIPP and the existing deferred tax
8 liability balance of [REDACTED] associated with the Michigan distribution assets. These
9 two schedules also show the deferred income tax impacts of the sale of both PIPP and the
10 distribution assets assuming that both the loss on the sale of PIPP and the gain on the sale
11 of the distribution assets are deferred. [REDACTED]

12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]

17 Q. Provide a detailed itemization of the assets and liabilities to be transferred.

18 A. The final, detailed itemization of assets and liabilities to be transferred will be contained
19 in the definitive agreement between Wisconsin Electric and UPPCO, and is currently
20 subject to negotiation. However, as noted above, the assets to be transferred will consist
21 of the Distribution Assets, PIPP and related assets including fuel inventories and net
22 working capital, [REDACTED] Under
23 the non-binding Term Sheet, certain assets are excluded from the transaction including

(1) jurisdictional electric distribution assets located in Wisconsin that may be used to provide service in both Michigan and Wisconsin;

The non-binding Term Sheet anticipates that

A comprehensive listing of assumed and excluded liabilities will be included in the definitive deal documents.

Q. Provide the proposed accounting entries recognizing any gain or loss on the disposition of the facilities sold. Provide the retirement entries for each plant account, including separate detail for each selling utility. In the response, describe how the proposed accounting entries are consistent with Uniform System of Accounts (USOA) Utility Plant Instruction 5. The accounting entries should be prepared in accordance with Utility Plant Instructions of the Uniform system of Accounts and the requirements of Statement of Financial Accounting Standards (SFAS) 144, "Accounting for the Impairment or Disposal of Long-Lived Assets."

1 A. Please see confidential Ex.-WEC-Lauber-8, Schedule 5, which reflects the current plan
 2 for accounting entries. Of course, these entries may change based on the final terms of
 3 the agreement with UPPCO. Wisconsin Electric is proposing to defer both the gain on
 4 the sale of the distribution assets and the unrecovered plant balance as a net amount to a
 5 regulatory asset account as shown in the first two preliminary journal entries. These two
 6 entries charge the accumulated depreciation accounts, and credit the plant accounts for
 7 PIPP and the distribution assets consistent with USOA Instruction 5. Ultimately, under
 8 the company's proposal, the difference between the proceeds received and the net book
 9 value of each asset is deferred to a regulatory asset as shown in the preliminary journal
 10 entries, although there would be intermediate journal entries to record the gain and loss to
 11 the income statement before recording the deferrals to the regulatory asset on the balance
 12 sheet.

13 Q. Provide a calculation and analysis of gain or loss associated with the transfer and how it
 14 will be handled.

15 A. Please see confidential Ex.-WEC-Lauber-8, Schedule 2.

16 Q. Will the transfer result in a loss? If yes, does the company intend to recover any or all of
 17 that loss from Wisconsin Ratepayers?

18 A. Consistent with a situation where a generating plant is retired, Wisconsin Electric will
 19 seek recovery of the Wisconsin jurisdictional portion of the unrecovered book value of
 20 PIPP from Wisconsin ratepayers. [REDACTED]

21 [REDACTED]

22 [REDACTED]

1 Q. Will there be any early retirement/depreciation costs? If yes, who will be assessed these
2 costs?

3 A.

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8 Q. Will Wisconsin Electric continue to depreciate all assets that will be transferred to
9 UPPCO until the date of closing?

10 A. Yes.

11 Q. Provide copies of all transfer agreements/documents.

12 A. We have provided, to selected parties on a confidential basis, a copy of the January 5,
13 2015 non-binding term sheet between Wisconsin Electric and UPPCO. No other
14 documents relating to the Michigan Asset Transaction have been finalized. We anticipate
15 that they will be finalized in late February or early March, and they will be provided to
16 the Commission in the § 196.80 proceeding seeking approval of the Michigan Asset
17 Transaction.

18 Q. Provide a list of any specific conditions of sale (commitments or guarantees on the part of
19 the parties - to employees, customers, suppliers, communities).

20 A. The principal commitments outlined in the non-binding Term Sheet relating to employees
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Other commitments are discussed elsewhere in this testimony and in the non-binding Term Sheet. Further commitments, if any, will be contained in the definitive documents that, again, will be provided to the Commission in the § 196.80 docket.

Q. Does the transfer document also transfer any environmental liabilities?

A. [REDACTED]

Q. What other potential liabilities or commitments are included in the transfer agreement(s)?

A. As discussed earlier in my testimony, as a general matter under the non-binding Term Sheet, [REDACTED]

Q. What if any, liabilities does Wisconsin Electric/WEC retain?

A. As I explained previously, Wisconsin Electric will retain certain [REDACTED]

[REDACTED] The full scope of liabilities that will be transferred or retained will be finalized in the definitive agreements.

Q. What is the impact of divestitures on Wisconsin Electric’s capitalization? How will the company’s capitalization be restored/made whole?

A. The company will use the cash it receives from the Michigan Asset Transaction to immediately reduce short term debt. The company will adjust its dividends in a reasonable and appropriate manner to realign its capital structure consistent with capitalization targets and dividend restrictions required in Wisconsin Electric's most recent rate case order.

Q. Who is responsible for any future capital investment in PIPP needed to meet environmental rules? Will Wisconsin Electric be obligated to any continuing costs?

A. [REDACTED]
when the Michigan Asset Transaction is completed, Wisconsin Electric will not be responsible for the cost of operating, decommissioning or retiring PIPP.

Q. What is the total jurisdictional revenue requirement for the Michigan Operations in the 2015 rate case? What is the net jurisdictional allocation impact of losing the Michigan Operation? Does Wisconsin Electric lose out on the jurisdictional over the two years? Quantify the amount of allocation to Michigan.

A. The total Michigan jurisdictional revenue requirement in the 2015 test year rate case was approximately \$57 million based on the final as-ordered cost of service study. Confidential Ex.-WEC-Lauber-8, Schedule 6 shows that the jurisdictional impact of eliminating the Michigan operation is [REDACTED] of lost slice of system contribution to production and general fixed costs that will be borne by others going forward. Schedule 6 also shows that offsetting the Michigan lost slice of system contribution, the sale of PIPP will result in lowering system costs of return on fuel and M&S inventories, O&M, and taxes other than income taxes by an estimated [REDACTED]

1 **WPSC Michigan Operations.**

2 Q. Do the Michigan Settlement Agreements and the non-binding Term Sheet with UPPCO
3 call for the sale of any assets besides PIPP and Wisconsin Electric's Michigan
4 distribution business?

5 A. Yes. The sale of WPSC's Michigan utility business to UPPCO is also called for. Until
6 and unless WEC's acquisition of Integrys is approved neither WEC nor any of its
7 affiliates have any control over WPSC. For that reason, WEC has committed that once
8 its acquisition of Integrys is consummated, it will use reasonable best efforts to cause
9 WPSC to sell its Michigan utility business to UPPCO. The terms of that sale have not
10 been negotiated to date, so we are not in a position to respond to Staff's questions on the
11 topic at this time. However, we expect to be able to provide more detail in the § 196.80
12 docket.

13 **Post-transfer Operations.**

14 Q. After the consummation of the transfers, will the former Wisconsin Electric Michigan
15 Operations, WPSC Michigan Operations, or UPPCO take services from IBS/WBS?

16 A. [REDACTED]
17 [REDACTED]

18 Q. If IBS/WBS will provide services, please provide copies of applicable service agreements.

19 A. [REDACTED]
20 [REDACTED]

21 Q. If IBS/WBS will provide services, please detail the services and provide annual cost
22 estimates.

1 A. [REDACTED]
 2 [REDACTED]
 3 [REDACTED]
 4 [REDACTED]
 5 [REDACTED]
 6 [REDACTED]
 7 [REDACTED]
 8 [REDACTED]

9 **Agreements Related to the Settlement.**

10 Q. When will each of the agreements be in final/near final form?

11 A. We anticipate that the agreements will be finalized at the end of February or the
 12 beginning of March.

13 Q. Provide copies of the UPPCO and Cliffs Natural Resources Inc., agreement in current
 14 draft form and also when final.

15 A. We are not a party to that agreement, and do not have access to it. We do not expect that
 16 agreement to have any negative consequences for WEC or its affiliates' ratepayers. As
 17 discussed below, we do expect that the agreement will mean that UPPCO will not seek
 18 SSR payments, which will benefit ratepayers.

19 Q. Provide copies of the Cliffs Natural Resources Inc., and Invenergy agreement in current
 20 draft form and also when final.

21 A. We are not a party to the agreement between the Mines and Invenergy, and do not have
 22 access to it. In any event, we do not expect that agreement to have any impact on WEC
 23 Energy Group, its subsidiaries, or Wisconsin ratepayers.

1 Q. Provide copies of the agreement between UPPCO and WEC relating to the transfer of
2 Wisconsin Electric and WPSC assets and operation in current draft form and also when
3 final.

4 A. We have provided the confidential non-binding Term Sheet, which represents the current
5 state of the parties' agreement, as Confidential Ex.-WEC-Lauber-7. The definitive deal
6 documents are being negotiated, and will be provided in final form with the filing in the §
7 196.80 docket.

8 **System Support Resource (SSR) Payments.**

9 Q. When will Wisconsin Electric's SSR Agreement and payments terminate?

10 A. Under the terms of the Settlement Agreement between WEC, Michigan's Governor,
11 Michigan's Attorney General, the Mines and Michigan Commission Staff, the Mines and
12 UPPCO will execute a binding electric supply agreement, which will allow Wisconsin
13 Electric's SSR Agreement and payments to terminate upon closing of the Michigan Asset
14 Transaction.

15 Q. Confirm whether UPPCO will apply for SSR Payments. If yes, when will the payments
16 begin?

17 A. One of the publicly-disclosed aspects of the agreement in principle between UPPCO and
18 the Mines is that UPPCO will not seek SSR payments following UPPCO's purchase of
19 PIPP. Michigan Governor Rick Snyder's press release explained this aspect of the
20 agreement:

21 **Agreement in principle between UPPCO and Cliffs.** Upon
22 acquisition of the Presque Isle Power Plant, which is expected no
23 later than July, the SSR payments would be terminated and
24 UPPCO would not seek an SSR. Cliffs would purchase a
25 significant majority of its power from UPPCO until the Presque
26 Isle Power Plant's retirement, anticipated in 2020 due to new

federal air emission requirements impacting coal generators statewide.

Ex.-WEC-Lauber-9.

Q. What are the assurances being provided that the SSR Payments will not be pursued at some future time?

A. Governor Snyder announced that “Cliffs would purchase a significant majority of its power from UPPCO until the Presque Isle Power Plant’s retirement.” Assuming that per the settlement agreement the Mines enter a binding agreement with UPPCO for the supply of electricity, we do not believe that UPPCO could meet the requirements for an SSR.

Q. What happens to SSR costs (included in the rate case?) for 2015 if Wisconsin Electric seeks termination in July?

A. SSR costs through closing will be escrowed consistent with the Commission’s order in docket 5-UR-107.

Tilden Mining Company LC and Empire Iron Mining Partnership.

Q. When will the Mines return to full service requirements with the Wisconsin Electric Michigan Operations?

A. The Mines returned as full service requirement customers on February 1, 2015.

Q. Are there any buyout costs or penalties associated with the Mines cancelling their contract with Constellation? If penalties or other costs, what are the amounts and who will ultimately pay the costs? Explain the basis for the answers.

A. We are not a party to the agreement between the Mines and Constellation and do not have access to it. We have been told that the contract calls for termination costs. However, none of these costs will be paid by Wisconsin Electric’s ratepayers.

1 Q. Will the Mines return as Wisconsin Electric customers until the divestiture? If yes, what
2 is the revenues and costs impact, associated with serving the Mines, which was not
3 reflected in the 2015 test year?

4 A. We currently anticipate that the Mines will remain full requirements customers of
5 Wisconsin Electric until the Michigan Asset Transaction closes. However, the Michigan
6 customer choice law would allow the Mines to discontinue full requirements service after
7 giving sufficient notice. The approximate [REDACTED] margin from rates paid by the
8 Mines will be deferred for treatment as deemed appropriate by the Commission for the
9 benefit of customers.

10 **Invenergy Power Plant.**

11 Q. Are there any current or future costs obligations for WEC or Wisconsin ratepayers
12 associated with the proposed power plant?

13 A. We are not a party to any agreements between the Mines and Invenergy, and have only
14 very limited information about the proposed power plant. There is no obligation for
15 Wisconsin regulated utilities or ratepayers to pay for any portion of the power plant that
16 Invenergy may build in the Upper Peninsula.

17 Q. Will WEC or affiliates be equity or other investor in the proposed power plant? Explain
18 proposed or anticipated investment.

19 A. No decision has been made concerning whether WEC or its affiliates will invest in the
20 proposed Invenergy power plant. However, if an investment were made it would not
21 involve Wisconsin Electric or its customers.

22 Q. What financing commitments have already been made for constructing the Invenergy
23 Power Plant? Name the parties and the commitments made.

1 A. We are not a party to any agreements between the Mines and Invenergy, but to our
2 knowledge, no financing commitments have yet been made for the construction of the
3 Invenergy power plant.

4 **Transmission.**

5 Q. Will the resulting changes in Michigan operations affect and/or defer any ATC planned
6 transmission? Please enumerate and explain affect.

7 A. Any such decisions will be made by ATC in collaboration with MISO (and after
8 Commission approval, if required) based on reliability needs. No such decisions have
9 been made to date.

10 Q. What is the current status of affected transmission?

11 A. ATC will make any decisions about whether and how future transmission needs may be
12 affected by the changes in the Michigan operations. It is likely that the continued
13 operation of PIPP will mean that otherwise-needed transmission is delayed or avoided
14 entirely. In any event, the Commission would have approval authority over any proposed
15 transmission projects.

16 Q. Does anything preclude ATC from pursuing the affected transmission? Explain the basis
17 for the answers.

18 A. While nothing in the settlement agreement precludes ATC from constructing
19 transmission to meet reliability needs, no decisions have yet been made concerning how
20 the changes to the Michigan operations pursuant to the settlement agreement may -- or
21 may not -- affect construction of transmission.

22 Q. Does this conclude your supplemental direct testimony?

23 A. Yes.